

IPA National Programme 2009 Part II – Bosnia and Herzegovina

Fiche 8 “SME Support”

1. Basic information

1.1 CRIS Number: 2009 / 021-650

1.2 Title: Support to the Small and Medium-sized Enterprise (SME) sector

1.3 ELARG Statistical code: 02.20 Economic criteria/Enterprise and industrial policy

1.4 Location: Bosnia and Herzegovina

Implementing arrangements:

1.5 Contracting Authority: European Commission

1.6 Implementing Agency: European Commission

1.7 Beneficiary:

Ministry of Foreign Trade and Economic Relations BiH
FBiH Ministry of Development, Entrepreneurship and Crafts
Ministry of Industry, Energy and Mining of the Republika Srpska
Government of Brčko District of Bosnia and Herzegovina

Financing:

1.8 Overall cost (VAT excluded): EUR 3 666 600

1.9 EU contribution: EUR 3 500 000

1.10 Final date for contracting: Two years following the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts: Two years following the end date of contracting

1.12 Final date for disbursements: One year following the end date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

The overall objective is to generate economic growth and employment by strengthening the competitiveness of SME sector in BiH and supporting the development of business zones.

2.2. Project purpose

This project will have two purposes:

- Purpose 1): To support SMEs to introduce Quality Management Systems (QMS) in accordance with International Quality Standards series ISO 9000.
- Purpose 2): To establish and strengthen business infrastructure to improve SME competitiveness.

2.3 Link with AP / NPAA / EP / SAA

The Stabilisation and Association Agreement (SAA)

The project belongs to the sector Industry and SMEs, as defined by Article 93 of the Stabilization and Association Agreement between BiH and the European Union. This reads as follows:

“The Parties shall co-operate to develop and strengthen private sector small and medium sized enterprises (SMEs) taking due account of priority areas related to the Community *acquis* in the field of SMEs, as well as the ten guidelines enshrined in the European Charter for Small Enterprises.”

European Partnership

Short- term priorities

-Ensure continuing progress in adopting European standards (ENs)

Medium – term priorities Economic criteria

“Continue reforms in the areas of registration of property, enforcement of contracts, bankruptcy procedures, registration, taxation and licensing of businesses in order to improve the business environment and promote entrepreneurship.

In “*Sectoral policies – Industry and SMEs*” it is stated :

- Ensure implementation of the SME Charter

SME Charter

Area 7 Help SMEs to benefit more from the opportunities offered by the Single Market

Area 8 Promote the upgrading of skills in SMEs and all forms of innovation

2.4 Link with MIPD 2009-2011

Economic criteria

IPA will assist Bosnia and Herzegovina's economic development by supporting the establishment of regulatory capacity and the enhancement of entrepreneurial know-how. It will support the development of the Small and Medium Enterprise (SME) sector. IPA will provide assistance to soften the impact of the financial and economic crisis by increasing its support for economic regulators, SMEs, and by assisting Bosnia and Herzegovina in investing in infrastructure.

2.3.1.2 Economic Criteria

As in the former MIPD, IPA supports **economic development, employment and education**. In addition IPA supports measures softening the impact of the financial and economic crisis.

Objectives and choices

Economic Development: Support the development of improved and coordinated **economic and fiscal and trade policies**. Support **SME and local economic development**

2.5 Link with National Development Plan

There is no current National Development Plan; National Development Strategy is currently in the final phase of preparation.

2.6 Link with national/ sector investment plans

The following strategies / plans are relevant for SME and business zone development:

Draft State SME Development Strategy – expected to be adopted in 2009.

The FBiH SMEs Strategy (expected to be adopted in 2009).

SMEs Development Strategy in the Republika Srpska for the period 2006-2010

Development Strategy of Brčko District 2008-2012 - Government of Brčko District adopted this Strategy, but it is in the phase of adoption by Assembly of Brčko District

Action Plan of support to the establishment and development of business zones in the Republic of Srpska 2009-2012.

Strategy to encourage exports in the Republika Srpska for the period 2009-2012 (In the process of adoption): The strategy to encourage exports of the Republika Srpska for the period 2009-2012 has defined the following goals: increase the number of exporters and value of exports, expand the export base, increase competitiveness, import substitution, establishment an efficient framework for encouraging and the promotion of exports.

Development and encouraging/stimulation strategy of foreign investments in the Republika Srpska for the period 2009-2012 (in the process of adoption). The document has defined four strategic objectives: improving investment and business climate, creating an effective framework for attracting foreign direct investment, focus on priority sectors and focus on selected countries to attract all types of foreign direct investment.

State of development and proposal of measures for the growth and development of SMEs in the Federation of Bosnia and Herzegovina 2007-2010 (adopted by the Parliament of FBiH).

This document comprehensively represents the state of SMEs in the Federation BiH in all segments (infrastructure, legislation, education, training, starting businesses and other areas), and identified key problems in this field. As one of the measures for the development of SMEs in the Federation of Bosnia and Herzegovina, the FBiH Government proposed the

project "Technical harmonization, development of new technologies and innovations" and "Development of entrepreneurship zones."

Currently, in the Federation of Bosnia and Herzegovina 25 business zones are in different stages of development, and need various types of support.. There is a need for additional investments in infrastructure in order to meet the needs of entrepreneurs who will operate in them. These business zones are of different sizes, however the average area of one zone is approximately 20 ha.

The Development strategy of Brčko District 2008-2012, which was adopted in June 2008 by the Government Brčko District supports economic, cultural and social development of Brčko through the creation of a favourable environment. The goal is to create new business opportunities by using different assets such as the establishment and operation of industrial zones, creating clusters and networks between companies, promotion of future development of small and medium enterprises and attracting new foreign investment. The Brčko District also established a Guarantee Fund of Brčko District of BiH and in the period from 2004 until mid-2008 that issued 188 guarantees for loans. The Economic and Social Council was also established in 2004. This Council creates a platform for regular consultation between the public and private sectors with regard to activities on the development of small and medium enterprises. Industrial zone Brka Brčko that includes Brka I- hill Šterac site (total area of 36ha of land which is located at 9 km from the town centre) and former military base McGovern as a business incubator (34 hectares of land is located at 7 km from the town centre) is regulated by article 26 of the Law on stimulating economic development in the Brčko District of BiH, and states that the District will *"in the aim of realisation of the preconditions for the development of the territory that is declared as an industrial zone by decision of the Brčko District of BiH, to provide infrastructure to the border of industrial zone and with: internal communications plumbing water system, high voltage electricity network. "*

3. Description of project

3.1 Background and justification

In the transformation and reconstruction of the BiH economy, small and medium enterprises are considered to be drivers of economic growth. They are instrumental as an impetus to increasing employment, decreasing social tensions and furthering economic and social integration into the European Union. Discouragingly, the number of SMEs in BiH per capita remains low in comparison with Central European countries as well as the region. The lack of a State-level government policy to support SME's, particularly those in growing and potentially competitive sectors, has contributed to BiH remaining one of the poorest countries in the region with a GDP per capita at only 26% of the EU average, outranking only Albania among the regional countries. The multitude of obstacles to the growth of businesses in BiH was also confirmed in the 2007 Global Competitiveness Report¹, where BiH's ranking fell to 106 a reflection of the deteriorating situation in the competitiveness of the economy.

¹ Global Competitiveness Report – issued by the World Economic Forum. The Global Competitiveness Report identifies impediments to growth and thereby helps stimulate the development of relevant strategies to achieve sustained economic progress. The Global Competitiveness Report is the most comprehensive and authoritative assessment of the comparative strengths and weaknesses of national economies. It was first published in 1979 and its coverage has expanded each year since, now extending to 131 major and emerging economies.

BiH companies have not been able to take full advantage of the recently adopted Stabilisation and Association Agreement and CEFTA as they have not adopted standards demanded by EU markets. What is even more troubling is the fact that many companies are not aware of the need for such standards. In 2008, an assessment² was completed that analysed nine economic sectors in BiH. These sectors were chosen as their production and revenues were increasing consistently over the last few years. The sectors were analysed to determine which of them include a large number of SMEs and had the potential to create and sustain jobs. Supply chain³ analyses were then completed for the sectors; these identified the obstacles within each supply chain which impeded the further growth of each sector. A prevalent obstacle among all of the sectors was the inability of SMEs to produce quality products and attain product certification.

The costs associated with introducing standards can also deter companies. Enterprises are delaying the introduction of the product quality systems without realizing that soon even regional countries and consumers will be demanding products that meet the EU standards of quality. Furthermore, implementing EU standards is in line with the EU Charter for SMEs under the Chapter dealing with a single economic space. BiH adopted the Charter and must undertake measures to implement it.

Given that Bosnian women have the lowest labour participation rates in the region - an issue harmful equally for the economy and the well-being of individuals - supporting successful and aspiring women entrepreneurs is a key to encouraging the private sector development needed to help move the country forward.

Finally, BiH authorities have determined in their strategies the need to establish industrial/technology parks and centres to foster SME and cluster cooperation and thereby to increase competitiveness. Very few such parks currently exist in the country, although there has been an effort of late to identify which regions would benefit from such parks the most. Given that BiH SMEs sector lags behind in terms of competitiveness and innovation compared to the EU, such parks and centres that encourage and promote new technologies, are very much needed.

Product Quality Standards

Product quality has become a key priority for small and medium enterprises wanting to become competitive. By establishing a *Quality Management* System according to the requirements of appropriate standards, firms are able to increase their competitiveness and meet the requirements and needs of customers.

Quality management systems also improve resource management, decrease costs, improve relationships with suppliers and partners and ensure the active involvement of all employees. Therefore, it ensures business excellence.

In today's global market, ensuring high quality production and service delivery is essential in order for firms to be able to export and to be active participants in the European and world markets, where high quality is demanded.

If Bosnian and Herzegovian SMEs want to export their products they must apply the requirements of international technical regulations and standards relating to their products, process or resources (staff, infrastructure, work environment).

² EU Value-chain analysis: EC Framework Contract Value-Chain analysis

³ Supply-chain: A supply chain is a string of companies or collaborating players who work together to satisfy market demands for specific products or services.

However, the costs related to introducing standards can be overwhelming for some BiH SMEs, especially now with the financial crises where resources are being directed towards covering day-to-day costs and little is being put aside for investments. Therefore, export-oriented small and medium enterprises are in need of support to introduce international standards of quality.

The most important standards that BiH companies need to attain in order to become more competitive in export markets are:

- Standards of series ISO 9000
- ISO 9001:2000 (2008), is a particularly interesting standard, since in the framework of the said series of standards, these are minimum requirements which an organization (enterprise) must fulfil in order to certify its system of quality be incorporated.
- The series of standards ISO 14000 refers to the way businesses relate to the protection of the environment.
- The system HACCP (Hazard Analysis Critical Control Point) is a control system for the process of manufacturing and distribution of food. The programme for food safety assurance, which is based on the principles of HACCP in a complex system covering the production, processing and distribution of food. International food trade is possible if the companies introduced the application of standardized assurance programmes for food security.
- CE mark ("Conformité Européenne" means European Conformity) in force since 1995. The CE mark is a practical declaration of the manufacturer that its product is in compliance with all health and safety requirements and the requirements of environmental protection in the European directives which apply to certain products. It can be said that the CE mark is the most important condition for export products to the EU. CE mark indicates that the product is designed and manufactured in accordance with the provisions of all applicable EU directives.

In the framework of this IPA 2009 funded project, approximately 100 small and medium enterprises will receive consultancy advice for the introduction of EU standards through a TA contract. Initially the SMEs participating in the project will be chosen on the basis of economic sectors that are currently exporting goods and want to expand their market by moving up the value-chain, or companies that are intending to export their products and need to improve their product quality in order to be competitive. The technical assistance support will firstly establish a selection mechanism of companies to be supported, and then conduct an audit of each company after which a detailed plan of action for each company will be completed. The companies will then be guided through all of the steps until the certificate is awarded. Inputs of staff of the beneficiary companies (working time) will be considered as an in-kind contribution, this is expected to amount to at least 10% of the technical assistance.

Business Zones

The purpose and goal of establishing business zones is to encourage a more rapid development of entrepreneurship through suitable and easier access to a physical space where entrepreneurs, can conduct their businesses.

Business zones offer SMEs, including start-up companies, an opportunity to reduce their costs and increase their competitiveness. Reduction in costs can be in operational costs, rental, and establishment costs. Opportunities also exist for increased competitiveness as SMEs from similar sectors are able to work together to exchange knowledge of product development, and to address demands of suppliers for larger quantities of goods.

This approach has been successful in other countries to attract and encourage greenfield and brownfield investments and thereby increasing economic development, investment and employment generation.

The recent global crisis has resulted in an evident reduction of investment in the area of Southeast Europe. This has further heightened the need for urgent action in improving the enabling environment for investment.

FBiH Ministry of Development, Entrepreneurship and Crafts will conduct a comprehensive analysis of the spatial planning documents, attain the necessary licences and permits, determine the degree of completion and other relevant parameters. The Ministry will then make a pre-selection on which seven business zones (indicative list) might be supported by the end of May 2009 and will propose them to be supported under this programme.

Republika Srpska has elaborated a partial indicative list of zones which might potentially be supported under this project, this is attached.

On the basis of a comprehensive analysis of existing zones, competent and responsible authorities of FBiH, Republika Srpska and Brčko District will propose a list of zones for which feasibility studies will be carried out under this project. There will be one IPA funded TA contract (EUR 1 500 000) and one locally funded one (EUR 166 600, 10% of the value of this component). Support will be provided to complete feasibility studies, technical specifications and other necessary documentation in order to start infrastructure works.

A final decision on the zones to be supported will be taken by the Project Steering Committee. In total, the Entity Ministries and the District of Brčko can expect at least 10 business zones, for which relevant documentation will be developed, to be funded under the project.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The implementation of this project will strengthen the SME sector in BiH, by improving the competitiveness of SMEs in the domestic and international markets. It will serve to sustain and create new jobs. By adopting international standards, SMEs will strengthen their ability to be more profitable and sustainable in the domestic and international markets. The establishment of business zones will among other things allow for effective cooperation between SMEs and possibly the establishment of clusters.

In this regard, it is important to emphasize that more competitive SMEs will improve the overall competitiveness of the economy of BiH, thereby contributing to achieving the economic Copenhagen criteria and supporting BiH in the process of joining the EU.

Strengthening this area will also have positive effects on cross-border cooperation with neighbouring countries Croatia, Serbia and Montenegro, as SMEs from BiH and regional countries collaborate and work together to meet market demands.

The catalytic effect of all activities will be felt by private and public actors resulting in increased jobs and revenues.

3.3 Results and measurable indicators

Results and measurable indicators in relation with activity 1: Companies have obtained standards certification:

Measurable indicators: 100 small and medium enterprises have received an EU standards certificate

Results and measurable indicators in relation with activity 2: Feasibility studies and technical designs for business zones are completed:

Measurable indicators: 10 technical documentation/feasibility studies for business zones, with design documentation completed.

3.4 Activities

Activity 1

- International tender for TA contract to provide standardisation consultancy
- Co-ordinate and supervise work of contractor

Activity 2

- International tender for TA to do feasibility studies and technical design for business zones (IPA funds)
- Tender for TA to do feasibility studies and technical design for business zones (BiH funds)
- Co-ordinate and supervise work of contractors

3.5 Conditionality and sequencing:

Before project implementation starts, the Entities must provide a full list of zones that should be supported.

3.6 Linked activities

European Fund for South-East Europe (EFSE): ⁴The European Fund for Southeast Europe (EFSE) is the successor of various development finance initiatives that have been implemented since 1998 as a post-conflict reconstruction effort in Southeast Europe. These initiatives received financial support from the European Union, the Austrian, German, and Swiss governments as well as a loan from the Netherlands Development Finance Company (FMO). KfW, the German promotional bank, managed these funds under a fiduciary arrangement. These preceding initiatives in Bosnia and Herzegovina, Kosovo, Montenegro and Serbia provided long-term funds to local financial institutions for on-lending to micro and small enterprises and private households. Furthermore, comprehensive technical assistance programmes assisted in adjusting lending techniques to increase outreach to the target groups.

The Fund aims to foster economic development and prosperity in the Southeast Europe region through the sustainable provision of additional development finance. The Fund offers long-term funding instruments to qualified partner lending institutions (PLIs) to better serve the financing needs of micro and small enterprises and private households in the target region.

The EU has funded around 60 projects through its *EURED Fund Facility*, of which four were specifically for SME infrastructure support that is construction of business incubators.

⁴ Source: www.efse.lu;

The grants funded under the Fund Facility included support for infrastructure development for SMEs, tourism product development, reconstruction and cultural heritage trails to feasibility studies being largely implemented by tourism associations and NGOs within the sector. A new call for proposals is planned under IPA 2008, which will support identified competitive sectors, namely wood-furniture, wood-construction, fabricated metal sectors, and food processing sectors (fruit and vegetables, dairy and medicinal and aromatic plants). The grants will address obstacles in the sector supply-chain and support the increased competitiveness of sectors.

In addition, *Cross border activities* funded and supported by the EU are aimed at strengthening regional ties as well as stimulating economic growth.

Other SME and tourism Donor Assistance: USAID has a number of SME focussed projects operational in BiH, these include cluster initiatives in the agricultural, tourism and wood processing sectors.

3.7 Lessons learned

The previous activities supported by the EC in developing business incubators, showed that a unified approach including local stakeholders and SMEs is required to ensure success. Therefore, the approach proposed under this activity has the full backing and support of the governments.

There are several reasons why very few companies have introduced international standards. The main reason is that buyers have not required these standards. However, as BiH SMEs enter the EU market and as regional markets increase their demands, BiH companies will be increasingly forced to attain the standards. SMEs were further deterred by the relatively high costs of implementation, especially for small enterprises. Therefore this activity will directly support the SMEs in attaining standards.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	x		2 000 000	2 000 000	100							
Contract 1.1 (service)	x	–	2 000 000	2 000 000	100							–
Activity 2		x	1 666 600	1 500 000	90	166 600	10	166 600				
Contract 2.1 (service)	–	x	1 500 000	1 500 000	100							–
Contract 2.2 (service)	–	x	166 600			166 600	100	166 600				
TOTAL IB			2 000 000	2 000 000	100							
TOTAL INV			1 666 600	1 500 000	90	166 600	10	166 600				
TOTAL PROJECT			3 666 600	3 500 000	95,46	166 600	4,54	166 600				

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start Tendering	Signature of contract	Project Completion
Contract 1.1 (service)	Q1/ 2010	Q 3 / 2010	Q 3 / 2012
Contracts 2.1, 2.2 (service)	Q 1 / 2010	Q 3 / 2010	Q 3 / 2012

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues

6.1 Equal Opportunity

Equal opportunity for participation of men and women will be assured in all aspects of the project implementation. As the proposed intervention will have a particular focus on improving the competitiveness of SMEs, it will contribute to ensuring equal and sustainable income opportunities for women and men. In addition, an important component of the designed intervention will be directed towards supporting creation of viable partnerships of the key players - local governments, NGOs, private sector SMEs and individuals - in economic development at a community level, which will lead towards good environmental and economically sustainable practices

Gender relations in entrepreneurship and SME management have to be considered in the implementation of the Project to ensure that: new business opportunities are equally accessible by women and men; important Project stakeholders e.g. private-sector employers, banks and credit institutions, respect gender equality principles and make special efforts to enhance women's participation, and that women are well represented as owners and managers of businesses and enterprises.

6.2 Environment

Environmental friendly-targeted actions will be encouraged through the targeted actions.

6.3 Minorities

As the project has no negative impact on minority or vulnerable groups, participation in the projected activities will be guaranteed on the basis of racial or ethnic origin, religion or belief, disability, sex of sexual orientation.

ANNEXES

- ANNEX I Logical framework matrix in standard format
- ANNEX II Amounts (in EUR) Contracted and disbursed by quarter for the project
- ANNEX III Description of Institutional Framework
- ANNEX IV Reference to laws, regulations and strategic documents
- ANNEX V Details per EU funded contract
- ANNEX VI Partial list of indicative zones that will be supported

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number: IPA National Programme 2009 part II – Bosnia and Herzegovina	
Project: Support to the Small and Medium-sized Enterprise (SME) sector		Final date for contracting: Two years following the date of the conclusion of the Financing Agreement	Final date for disbursements: One year following the end date for the execution of contracts.
CRIS number: 2009 / 021-650		Total budget: EUR 3 666 600	IPA budget: EUR 3 500 000
Overall objective	Objectively verifiable indicators	Sources of Verification	
The overall objective is to generate economic growth and employment by strengthening the competitiveness of SME sector in BiH and supporting the development of business zones.	SME output and employment in BiH increase by 1%	Agency for Statistics reports	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> ▪ <i>Purpose 1):</i> To support SMEs to introduce Quality Management Systems (QMS) in accordance with International Quality Standards series ISO 9000. ▪ <i>Purpose 2):</i> To establish and strengthen business infrastructure to improve SME competitiveness. 	Companies having received certification through the project increase production volume by 5% two years later and employment by 2%	Company reports, monitoring visit reports	Indicators are on the lower side due to the current financial and economic crisis, it is assumed that BiH will show real GDP growth in the years following 2010

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Companies have obtained standards certification</p> <p>Feasibility studies and technical designs for business zones are completed</p>	<p>100 companies have standards certification</p> <p>Ten studies for business zones, with design documentation, available completed</p>	<p>Certification documentation</p> <p>Feasibility studies and technical documentation</p>	<p>Sufficient companies participate successfully (based on good promotion campaign)</p> <p>Agreement on chosen zones</p> <p>Positive feasibility studies outcome so as to proceed with technical designs</p> <p>Company owners willing to mainstream gender issues</p>
Activities	Means	Costs	Assumptions
<p>International tender for TA contract to provide standardisation consultancy</p> <p>International tender for TA to do feasibility studies and technical design for business zones</p> <p>Tender for TA to do feasibility studies and technical design for business zones</p>	<p>TA contract (IPA)</p> <p>TA contract (IPA)</p>	<p>EUR 2 000 000</p> <p>EUR 1 500 000</p> <p>EUR 166,600</p>	<p>Contractors co-operate effectively with beneficiaries and provide good quality work.</p>

ANNEX II: Amounts (in EUR) Contracted and disbursed by quarter for the project

Contracted	Q3/2010	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012
Contract 1.1	2 000 000									
Contract 2.1	1 500 000									
Cumulated	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000
Disbursed										
Contract 1.1		600 000		350 000		350 000		350 000		350 000
Contract 2.1		450 000		262 500		262 500		262 500		262 500
Cumulated		1 050 000	1 050 000	1 662 500	1 662 500	2 275 000	2 275 000	2 887 500	2 887 500	3 500 000

Annex III Description of Institutional Framework:

State-level: The Ministry of Foreign Trade and Economic Relations (MOFTER) is responsible for a number of development policies in economic areas. In the area of SMEs it is responsible for improving the business environment for SMEs in cooperation with the Entities, cooperating with institutions that are responsible for SME development both national and international, and the development of a database for SMEs.

Entity level: The RS established the RS SME Development Agency. The Federation has a Ministry of Development, Entrepreneurship and Crafts. There is currently no SME agency in the Federation.

ANNEX IV Reference to laws, regulations and strategic documents:

Link with European Partnership

Short- term priorities

-Ensure continuing progress in adopting European standards (ENs)

Medium – term priorities Economic criteria

“Continue reforms in the areas of registration of property, enforcement of contracts, bankruptcy procedures, registration, taxation and licensing of businesses in order to improve the business environment and promote entrepreneurship.

In “*Sectoral policies – Industry and SMEs*” it is stated :

- Ensure implementation of the SME Charter

Link with SAA

The project belongs to the sector Industry and SMEs, as defined by Article 93 of the Stabilization and Association Agreement between BiH and the European Union

Link with MIPD

3.3.1.2 Economic Criteria

"IPA supports economic development, employment and education as well as the reform of social policies."

3.2.2.3 European standards

"IPA will assist BiH to meet the requirement in terms of approaching the *acquis communautaire* in the areas of the EU internal market, sector policies, justice, freedom and security. Weight of support will be to develop strategy and policy and regulatory framework that meets European standards. Also, IPA will ensure the support in establishment and strengthening of the capacity of agencies and institutions necessary for the realization and implementation of sector policies."

3.3.1.3 Ability to assume the obligations of Membership

Food safety, veterinary and phytosanitary policy: - HACCP

Improving the quality and soundness of the domestic products

Link with National Development Plan

No National plan in force currently.

Link with national/ sectoral investment plans

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The FBiH SMEs strategy (expected to be adopted in 2009).

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Development and encouraging/stimulation Strategy of foreign investments in the Republika Srpska for the period 2009-2012.godine (In the process of adoption) Document has defined 4 strategic objectives: improving investment and business climate, creating an effective framework for attracting foreign direct investment, focus on priority sectors and focus on selected countries to attract all types of foreign direct investment.

State of development and proposal of measures for the growth and development of SMEs in the Federation of Bosnia and Herzegovina 2007-2010 "(adopted by the Parliament of FBiH).

The document comprehensively represents the state of SMEs in the Federation BiH in all segments (infrastructure, legislation, education, training, starting businesses and other areas), and identified key problems in this field. As one of the measures for the development of SMEs in the Federation of Bosnia and Herzegovina, the FBiH Government proposed the project "Technical harmonization, development of new technologies and innovations" and "Development of entrepreneurship zones."

At this moment, in the Federation of Bosnia and Herzegovina 25 business zones need to be built. They are in various stages of construction, so that there is a need for additional investments in infrastructure in order to meet the needs of entrepreneurs who will operate in them. These business zones are of different sizes, however the average area of one zone is approximately 20 ha.

FBiH Ministry of Development , Entrepreneurship and Crafts will conduct a comprehensive analysis of the spatial planning documents, attain the necessary licences and permits, determine the degree of completion and other relevant parameters. The Ministry will then make a decision on which seven business zones should be supported by the end of May 2009 and will propose them to be supported under this programme.

The Development strategy of Brčko District 2008-2012, which was adopted in June 2008 by the Government Brčko District supports economic, cultural and social development of Brčko through the creation of favourable environment. The goal is to create new business opportunities by using different assets such as the establishment and operation of industrial zones, creating clusters and networks between companies, promotion of future development of small and medium enterprises and attracting new foreign investment. The Brcko District also established a Guarantee Fund of Brčko District of BiH and in the period from 2004 until mid-2008 that issued 188 guarantees for loans. The Economic and Social Council was also established in 2004. This Council creates a platform for regular consultation between the

public and private sectors with regard to activities on the development of small and medium enterprises. Industrial zone Brka Brčko that includes Brka I- hill Šterac site (total area of 36ha of land which is located at 9 km from the town centre) and former military base McGovern as a business incubator (34 hectares of land is located at 7 km from the town centre) is regulated by article 26 of the Law on stimulating economic development in the Brčko District of BiH, and states that the District will *"in the aim of realisation of the preconditions for the development of the territory that is declared as an industrial zone by decision of the Brčko District of BiH, to provide infrastructure to the border of industrial zone and with: Travel, plumbing water system, high voltage electricity network. "*

ANNEX V Details per EU funded contract

Both activities will be implemented through Technical Assistance projects

ANNEX VI Partial list of indicative zones that will be supported:

„Poljavnice”, Novi Grad

TYPE: Greenfield

SIZE: 15 ha

PROPERTY: the property of the municipality and private ownership

LOCATION: 4 km away from Novi Grad, close to the railway Novi Grad - Zagreb - Western Europe, close to the border with Croatia.

INFRASTRUCTURE: energy and water networks (check whether there is infrastructure)

PURPOSE: Industry sector

NUMBER OF ENTERPRISES: 4 companies, several in preparation

NUMBER OF EMPLOYEES: 50

„Aleksandrovac”, Laktaši

TYPE: Greenfield

SIZE: 35 ha, an opportunity to expand to 100 hectares

PROPERTY: the property of the municipality

LOCATION: Aleksandrovac, Laktaši, on the main road M16, about 5 km from the airport Banja Luka, 20 km from the city of Banja Luka, 40 km from the motorway Zagreb (Croatia) - Belgrade (Serbia)

INFRASTRUCTURE: Currently, in the business zone Aleksandrovac there is physical infrastructure: the access path that is illuminated, the two transformer stations, telecommunication line, organized waste removal service. It is necessary to build an sewage system (waste water) and the plumbing-water system.

PURPOSE: Food industry, processing of fruits and vegetables.

NUMBER OF ENTERPRISES: one company works, a few is in the preparation

NUMBER OF EMPLOYEES: 139

“Crnaja”, Srbac

TYPE: Greenfield

SIZE: 20 ha, an opportunity to expand to 60 hectares

PROPERTY: the property of the municipality

LOCATION: 5 km from Srbac, 26 km from the border with Croatia, 33 km from Banja Luka.
INFRASTRUCTURE: It needs to build an sewage system.
PURPOSE: Industry sector

„Istočna Ilidža”, I.Ilidža (Eastern Ilidža)

TYPE: Greenfield
SIZE: 26 ha
OWNERSHIP: State and private ownership
LOCATION: On the travel direction of Sarajevo - Eastern Ilidza, near the main road M18-Foča -Sarajevo, near the airport (1 km)
INFRASTRUCTURE: energy, water and sewage system, gas supply, telecommunications.
PURPOSE: electrical engineering, machine industry

„Bilećanka”, Bileća

TYPE: brownfield
AREA: 120,000m², of which 40 000 m² of production, storage and business space
OWNERSHIP: Private, small shareholders
LOCATION: Bileca, distance from the railway line is 90 km, the distance from airport is 70 km, the distance from the sea port is 130 km.
INFRASTRUCTURE: power grid, water and sewage system, telecommunications.
PURPOSE: The production activities.

„Selena”, Prijedor

TYPE: brownfield
AREA: 6022 m²
OWNERSHIP: municipal property
LOCATION: Near the main road M4 Prijedor - Banja Luka
INFRASTRUCTURE: power grid, water and sewage system, telecommunications.
PURPOSE: Production and business facilities

„Poslovne zone Petrovo”, Petrovo

TYPE: Greenfield
SIZE: 85 000 ha
PROPERTY: the property of the municipality and private ownership
LOCATION: Petrovo
INFRASTRUCTURE: The necessary investment in infrastructure
PURPOSE: Construction of production facilities of craft, food industry, production of building materials, metal and wood-processing activities, business and warehouse premises
The basic requirement would be that the underlying zone has market viability.

For Brčko District

Industrial zone in Brka Brčko, whose composition enter site Brka I- hill Šterac and former military base McGovern as a business incubator